

Message Text

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ACTION EUR-12

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TAGS: PFOR, EFIN, EGEN, ETRD, EAGR, EEC, UK, NZ

SUBJECT: RECENT DEVELOPMENTS REGARDING UK RENEGOTIATIONS

REF: A. EC BRUSSELS 1725 (NOTAL) B. EC BRUSSELS 1508 C. EC BRUSSELS
1197 (NOTAL) D. EC BRUSSELS 905 (NOTAL)

1. BEGIN SUMMARY: AT THIS TIME EC DISCUSSIONS ON THE UK BUDGET RENEGOTIATION ISSUE HAVE MADE LITTLE PROGRESS AND NOT MUCH PROGRESS IS EXPECTED FROM THE EC COUNCIL MEETING OF MARCH 3-4. MOST OBSERVERS EXPECT NO RESOLUTION OF THE BUDGET ISSUE UNTIL THE DUBLIN EUROPEAN COUNCIL (HEADS OF GOVERNMENT) MEETING ON MARCH 10-11. THE GERMANS, WHO ARE CONCERNED OVER THE COST OF BUDGETARY REIMBURSEMENTS, ARE LIKELY TO BE DECISIVE IN RESOLVING THIS ISSUE. THE ISSUE OF ACCESS IN THE EC OF NEW ZEALAND DAIRY PRODUCTS HAS NOW BECOME A MAJOR RENEGOTIATION ISSUE WHICH WILL ALSO PROBABLY BE DECIDED AT DUBLIN.
END SUMMARY.

2. A WORKING GROUP OF THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) MADE NO PROGRESS IN PREPARATION OF THE UK BUDGET RENEGOTIATION ISSUE FOR THE EC COUNCIL MEETING ON MARCH 3-4. BOTH
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COMMISSION AND PERM REP SOURCES REPORT THAT AN IMPASSE HAS

DEVELOPED OVER WHETHER THE "CORRECTIVE MECHANISM" SHOULD APPLY TO ALL OF THE BUDGETARY CONTRIBUTIONS OR TO JUST THE VAT PORTION. THE FRENCH REMAIN ADAMENT THAT TO PRESERVE THE PRINCIPLE OF "OWN RESOURCES" THE MECHANISM SHOULD APPLY ONLY TO THE VAT CONTRIBUTION. THE UK FINDS THIS POSITION UN-ACCEPTABLE. THE UK ALSO CONTINUES TO PROPOSE MODIFICATIONS TO THE COMMISSION'S PAPER (SEE REF D) SUCH AS ELIMINATION OF THE PROPOSAL THAT ONLY TWO-THIRDS OF THE GAP BETWEEN THE GNP AND BUDGET SHARES BE REIMBURSED. PRIVATELY, HOWEVER, UK SOURCES TELL US THAT THEY WOULD BE WILLING TO ACCEPT THE COMMISSION PAPER AS PROPOSED.

3. SOURCES HERE BELIEVE THE GERMANS WILL BE DECISIVE IN DETERMINING THE FINAL OUTCOME. FRG PERM REP OFFICIALS TELL US THAT THEY HAVE NOT YET DECIDED ON A POSITION. THEY EXPECT A FINAL FRG DECISION ON THE BUDGET ISSUE WILL BE TAKEN AT THE HIGHEST POLITICAL LEVEL JUST BEFORE THE DUBLIN COUNCIL. CURRENTLY THE GERMAN FINANCE MINISTRY IS TAKING A HARD LINE AGAINST ANY OPEN-ENDED COMMITMENT WHICH WOULD OBLIGATE THE EC TO REIMBURSE WHATEVER AMOUNT THAT MIGHT BE REQUIRED UNDER THE COMMISSION'S PROPOSED FORMULA. INSTEAD, THE MINISTRY IS ASKING THAT A CEILING BE SET ON THE AMOUNT THAT MIGHT BE REIMBURSED. THE OTHER SIX MEMBER STATES HAVE GENERALLY SUPPORTED THE COMMISSION'S PAPER IN THE COREPER DISCUSSIONS.

4. AS INDICATED IN REF A, PER REP SOURCES, ESPECIALLY THE FRENCH, TELL US THAT THE HEADS OF GOVERNMENT WILL LIKELY SEEK ASSURANCES FROM PRIME MINISTER WILSON AT THE DUBLIN MEETING THAT NO ADDITIONAL ITEMS WILL BE ADDED TO THE UK RENEGOTIATING "SHOPPING LIST." FRENCH, BELGIAN, AND SOME COMMISSION OFFICIALS HERE EXPRESSED CONSIDERABLE IRRITATION OVER THE UK'S DECISION TO MAKE THE ISSUE OF ACCESS OF NEW ZEALAND DIARY PRODUCTS (SEE REF B) A MAIN PART OF THE RENEGOTIATION PACKAGE. THE UK SUBMITTED A PAPER TO THE EC PERM REPS ON FEBRUARY 27 ASKING FOR EC COMMITMENTS ON THIS ISSUE. UK PERM REP SOURCES TELL US THE PAPER ASKS THE EC TO AGREE TO CONTINUE IMPORTING FOR AT LEAST AN ADDITIONAL THREE YEARS AFTER 1977 THE SAME QUANTITIES FROM NEW ZEALAND AS FORESEEN FOR 1977. IN ADDITION, THE PRICE PAID FOR NEW ZEALAND PRODUCTS SHOULD BE REVIEWED EACH YEAR. THE UK ALSO REPORTEDLY LIMITED OFFICIAL USE

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ASKS THAT THE QUANTITY QUARANTEED TO NEW ZEALAND SHOULD BE EXPRESSED IN BUTTER EQUIVALENTS, WHICH WOULD ALLOW NEW ZEALAND TO CONTINUE TO SHIP CHEESE AS WELL AS BUTTER TO THE EC.

5. FRENCH SOURCES HERE INDICATE THAT SUCH A PROPOSED COMMITMENT IS UNACCEPTABLE. THE GOF REPORTEDLY WOULD BE ONLY WILLING TO AGREE TO A GENERAL STATEMENT INDICATING THE EC

OULD CONTINUE TO TAKE NEW ZEALAND'S INTERESTS INTO ACCOUNT.
THE GERMANS ARE TAKING A MUCH MORE RELAXED VIEW TOWARD THIS
ISSUE THAN THE FRENCH. FRG OFFICIALS HERE BELIEVE THAT A
COMPROMISE CAN BE FOUND BETWEEN THE BRITISH AND FRENCH
POSITIONS AND ARE WORKING TO FORMULATE SUCH A PROPOSAL.

6. THE UK'S DECISION TO PLACE EMPHASIS ON THE NEW ZEALAND
DAIRY ISSUE AT THIS LATE DATE IN THE RENEGOTIATION DISCUSSIONS
HAS CAUSED CONSIDERABLE CONCERN AMONG SEVERAL OF THE
MEMBER STATES AND SOME COMMISSION OFFICIALS (SEE REF A).
FRENCH OFFICIALS HERE, FOR EXAMPLE, EXPRESS THE FEAR THAT THE
UK MAY CONTINUE TO RAISE NEW ISSUES IF THE REFERENDUM TURNS
OUT NOT TO BE "DEFINITIVE," FRENCH SOURCES HERE SPECULATE THAT
THE BRITISH LABOR GOVERNMENT MAY CHOOSE TO PURSUE ADDITIONAL
RENEGOTIATION ISSUES. CONSEQUENTLY, MOST OFFICIALS BELIEVE THE
OTHER MEMBER STATES WILL SEEK A FIRM, AND POSSIBLY PUBLIC,
COMMITMENT FROM WILSON AT DUBLIN THAT RENEGOTIATION
IS SATISFACTORILY CONCLUDED AND THAT HE WILL
STRONGLY URGE A VOTE IN FAVOR OF CONTINUED UK
MEMBERSHIP. MYERSON

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